

**Commonwealth of Massachusetts
Department of Telecommunications and Energy
Fitchburg Gas and Electric Light Company
Docket No. D.T.E. 02-24/25
Responses to the Attorney General's Sixth Set of Information Requests**

Request No. AG-6-11 (Electric)

Please provide copies of the "Regulatory Focus, Regulatory Research Associates, Inc." source documents used to determine the "Authorized Electric Returns" shown on Exhibit FGE-SCH-5, page 1.

Response:

Please see attached.

Person Responsible: Samuel C. Hadaway

Regulatory Study
April 10, 2002

MAJOR RATE CASE DECISIONS--JANUARY-MARCH 2002

For the first three months of 2002, the average electric equity return authorization by state commissions was 10.87% (5 determinations), down slightly from the 11.06% average in calendar-2001. The average gas equity return authorization for the first quarter of 2002 was 10.67% (three determinations), down slightly from the 10.95% average in calendar-2001. During the first quarter of 2002, there were no telecommunications equity return authorizations.

In recent years there have been relatively few equity return determinations. The reasons include: industry restructuring/intensifying competition; more efficient utility operations; technological improvements; relatively low inflation and interest rates; accelerated depreciation/amortization programs; the increased utilization of "black box" settlements; and, the growing use of performance, or price-based, regulation. As the number of equity return determinations has declined, the average authorized return now has less of a relationship to the return that the typical electric, gas, or telecommunications company has an opportunity to earn. In addition, electric industry restructuring in many states has led to the unbundling of rates, with commissions authorizing return and revenue requirement parameters for distribution operations only, further complicating data comparability. The tables included in this study are extensions of those contained in the January 24, 2002 Regulatory Study entitled *Major Rate Case Decisions--January 2000-December 2001--Supplemental Study*. Refer to that report for information concerning individual rate case decisions that were rendered in 2000 and 2001.

The table on page 2 shows annual average equity returns authorized since 1992, and by quarter since 1996, in major electric, gas, and telecommunications rate decisions, followed by the number of determinations during each period. The tables on page 3 present the composite industry data for items in the chronology of this and earlier reports, summarized annually since 1992, and quarterly for the most recent nine quarters. The individual electric, gas, and telecommunications cases decided in the first three months of 2002 are listed on page 4, with the decision date shown first, followed by the company name, the abbreviation for the state issuing the decision, the authorized rate of return (ROR), return on equity (ROE), and percentage of common equity in the adopted capital structure. Next we show the month and year in which the adopted test year ended, whether the commission utilized an average or a year-end rate base, and the amount of the permanent rate change authorized. The dollar amounts represent the permanent rate change ordered at the time decisions were rendered. A case is generally considered "major" if the rate change initially requested was \$5 million or greater, or the authorized rate change was at least \$3 million. Gas rate requests that are considered in conjunction with major electric requests are recorded and reported as individual cases, regardless of size.

2.

Average Equity Returns Authorized January 1992 - March 2002

(Return Percent - No. of Observations)

Period		Electric Utilities	Gas Utilities	Telephone Utilities
1992	Full Year	12.09 (48)	12.01 (29)	12.27 (7)
1993	Full Year	11.41 (32)	11.35 (45)	11.83 (12)
1994	Full Year	11.34 (31)	11.35 (28)	11.81 (11)
1995	Full Year	11.55 (33)	11.43 (16)	12.08 (8)
1996	1st Quarter	11.28 (2)	11.45 (2)	11.70 (2)
	2nd Quarter	11.46 (9)	10.88 (6)	11.30 (1)
	3rd Quarter	10.76 (3)	11.25 (2)	12.25 (1)
	4th Quarter	11.58 (8)	11.32 (10)	--- (0)
1996	Full Year	11.39 (22)	11.19 (20)	11.74 (4)
1997	1st Quarter	11.30 (4)	11.31 (7)	11.80 (1)
	2nd Quarter	11.62 (3)	11.70 (1)	11.60 (1)
	3rd Quarter	12.00 (1)	12.00 (1)	11.70 (1)
	4th Quarter	11.11 (3)	10.99 (4)	11.35 (2)
1997	Full Year	11.40 (11)	11.29 (13)	11.56 (5)
1998	1st Quarter	11.31 (4)	--- (0)	11.30 (1)
	2nd Quarter	12.20 (1)	11.37 (3)	--- (0)
	3rd Quarter	11.80 (2)	11.41 (3)	--- (0)
	4th Quarter	11.83 (3)	11.69 (4)	--- (0)
1998	Full Year	11.66 (10)	11.51 (10)	11.30 (1)
1999	1st Quarter	10.58 (4)	10.82 (3)	13.00 (1)
	2nd Quarter	10.94 (4)	10.82 (3)	--- (0)
	3rd Quarter	10.63 (8)	--- (0)	--- (0)
	4th Quarter	11.08 (4)	10.33 (3)	--- (0)
1999	Full Year	10.77 (20)	10.66 (9)	13.00 (1)
2000	1st Quarter	11.06 (5)	10.71 (1)	11.50 (1)
	2nd Quarter	11.11 (2)	11.08 (4)	--- (0)
	3rd Quarter	11.68 (2)	11.33 (5)	11.25 (1)
	4th Quarter	12.08 (3)	12.50 (2)	--- (0)
2000	Full Year	11.43 (12)	11.39 (12)	11.38 (2)
2001	1st Quarter	11.38 (2)	11.16 (4)	--- (0)
	2nd Quarter	10.88 (2)	10.75 (1)	--- (0)
	3rd Quarter	10.78 (8)	--- (0)	--- (0)
	4th Quarter	11.57 (4)	10.65 (2)	--- (0)
2001	Full Year	11.08 (16)	10.95 (7)	--- (0)
2002	1st Quarter	10.87 (5)	10.67 (3)	--- (0)

MAJOR RATE CASE DECISIONS

January 1990-December 2000

REGULATORY FOCUS



Regulatory
Research
Associates, Inc.

RRA

Electric Utilities--Summary Table*

	Period	ROR %	ROE %	Eq. as % Cap. Struc.	Amt. \$ Mil.
1990	Full Year	10.39 (42)	12.70 (44)	42.42 (40)	1,579.4 (48)
1991	Full Year	10.45 (44)	12.53 (45)	43.80 (44)	3,071.8 (53)
1992	Full Year	10.01 (46)	12.09 (46)	44.89 (44)	1,998.2 (51)
1993	Full Year	9.46 (30)	11.41 (32)	47.40 (30)	1,184.1 (42)
1994	Full Year	9.29 (30)	11.34 (31)	45.15 (30)	1,118.9 (40)
1995	Full Year	9.44 (30)	11.55 (33)	45.90 (30)	495.7 (43)
1996	Full Year	9.21 (20)	11.39 (22)	44.34 (20)	-5.6 (36)
1997	Full Year	9.16 (12)	11.40 (11)	48.79 (11)	-553.3 (33)
1998	Full Year	9.44 (9)	11.66 (10)	46.14 (8)	-429.3 (31)
1999	1st Quarter	8.55 (3)	10.58 (4)	43.18 (3)	-807.6 (5)
	2nd Quarter	9.10 (5)	10.94 (4)	48.48 (4)	-875.3 (10)
	3rd Quarter	8.57 (8)	10.83 (8)	43.99 (8)	-181.3 (8)
	4th Quarter	9.47 (2)	11.08 (4)	45.55 (2)	-39.8 (7)
1999	Full Year	8.61 (18)	10.77 (20)	45.08 (17)	-1,683.8 (30)
2000	1st Quarter	8.98 (5)	11.06 (5)	49.80 (5)	47.5 (10)
	2nd Quarter	9.07 (2)	11.11 (2)	48.40 (2)	-162.5 (9)
	3rd Quarter	9.17 (3)	11.66 (2)	47.73 (2)	-22.2 (12)
	4th Quarter	9.94 (2)	12.06 (3)	48.32 (3)	-189.2 (5)
2000	Full Year	9.20 (12)	11.43 (12)	48.85 (12)	-308.4 (36)

Gas Utilities--Summary Table*

1990	Full Year	10.67 (30)	12.67 (31)	47.21 (29)	355.5 (41)
1991	Full Year	10.52 (35)	12.48 (35)	47.19 (33)	391.0 (43)
1992	Full Year	10.10 (29)	12.01 (28)	46.64 (27)	420.9 (34)
1993	Full Year	9.44 (41)	11.35 (45)	48.15 (41)	217.6 (49)
1994	Full Year	9.51 (32)	11.35 (28)	48.12 (27)	422.9 (42)
1995	Full Year	9.64 (16)	11.43 (16)	49.98 (15)	-61.5 (31)
1996	Full Year	9.25 (23)	11.19 (20)	47.69 (19)	193.4 (34)
1997	Full Year	9.13 (13)	11.29 (13)	47.78 (11)	-82.5 (21)
1998	Full Year	9.46 (10)	11.51 (10)	49.50 (10)	93.9 (20)
1999	1st Quarter	8.62 (3)	10.82 (3)	48.88 (3)	14.1 (3)
	2nd Quarter	8.98 (3)	10.82 (3)	48.63 (4)	9.4 (4)
	3rd Quarter	— (0)	— (0)	— (0)	3.0 (1)
	4th Quarter	8.78 (3)	10.33 (3)	50.19 (2)	24.5 (6)
1999	Full Year	8.66 (9)	10.68 (9)	48.08 (5)	51.0 (14)
2000	1st Quarter	9.87 (1)	10.71 (1)	53.95 (1)	103.9 (3)
	2nd Quarter	9.15 (4)	11.08 (4)	45.73 (4)	-27.8 (8)
	3rd Quarter	9.19 (5)	11.33 (5)	48.28 (5)	45.6 (5)
	4th Quarter	9.61 (3)	12.50 (2)	52.48 (2)	14.0 (8)
2000	Full Year	9.33 (13)	11.39 (12)	48.59 (12)	135.9 (20)

Telephone Utilities--Summary Table*

1990	Full Year	10.30 (8)	12.91 (8)	53.60 (8)	42.4 (13)
1991	Full Year	10.85 (17)	12.89 (16)	55.67 (15)	17.8 (20)
1992	Full Year	10.04 (8)	12.27 (7)	51.39 (8)	-252.0 (13)
1993	Full Year	10.26 (12)	11.83 (12)	56.45 (12)	-198.1 (12)
1994	Full Year	9.91 (12)	11.81 (11)	57.46 (11)	-238.6 (16)
1995	Full Year	9.81 (8)	12.06 (8)	55.02 (7)	-284.0 (14)
1996	Full Year	9.65 (2)	11.74 (4)	58.00 (2)	-348.2 (11)
1997	Full Year	9.57 (5)	11.58 (5)	55.84 (5)	-154.4 (7)
1998	Full Year	9.37 (1)	11.30 (1)	52.00 (1)	-323.3 (13)
1999	1st Quarter	11.34 (1)	13.00 (1)	58.90 (1)	-347.7 (5)
	2nd Quarter	— (0)	— (0)	— (0)	-9.2 (2)
	3rd Quarter	— (0)	— (0)	— (0)	-119.1 (8)
	4th Quarter	— (0)	— (0)	— (0)	-94.1 (6)
1999	Full Year	11.34 (1)	13.00 (1)	58.90 (1)	-570.1 (19)
2000	1st Quarter	9.39 (1)	11.50 (1)	54.00 (1)	-165.4 (8)
	2nd Quarter	— (0)	— (0)	— (0)	-63.0 (1)
	3rd Quarter	9.64 (1)	11.25 (1)	59.18 (1)	-50.5 (2)
	4th Quarter	— (0)	— (0)	— (0)	-111.5 (3)
2000	Full Year	9.52 (2)	11.38 (2)	58.59 (2)	-380.4 (14)

* Number of observations each period indicated in parentheses.

MAJOR RATE CASE DECISIONS

January 1985–December 1990

REGULATORY FOCUS



Regulatory
Research
Associates, Inc.

PUBLIC UTILITY COMMISSION
OF TEXAS

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46. Average Equity Returns Authorized January 1981 - December 1990

(Return Percent - No. of Observations)

<u>Period</u>	<u>Electric Utilities</u>	<u>Gas Utilities</u>	<u>Telephone Utilities</u>
1981 Full Year	15.22(123)	15.11 (60)	14.33 (64)
1982 Full Year	15.78(125)	15.62 (83)	15.13 (54)
1983 Full Year	15.36 (95)	15.25 (65)	14.73 (71)
1984 Full Year	15.32 (75)	15.31 (39)	14.50 (35)
1985 Full Year	15.20 (58)	14.75 (34)	14.59 (40)
1986 1st Quarter	14.35 (14)	14.05 (4)	14.02 (6)
2nd Quarter	14.27 (16)	13.28 (9)	14.03 (7)
3rd Quarter	13.18 (10)	13.09 (5)	13.85 (2)
4th Quarter	13.52 (9)	13.62 (7)	13.55 (3)
1986 Full Year	13.93 (49)	13.46 (25)	13.93 (18)
1987 1st Quarter	12.92 (12)	12.61 (7)	12.35 (1)
2nd Quarter	13.15 (10)	13.13 (5)	12.81 (4)
3rd Quarter	13.17 (16)	12.56 (5)	13.06 (4)
4th Quarter	12.79 (19)	12.73 (12)	12.80 (4)
1987 Full Year	12.99 (57)	12.74 (29)	12.85 (13)
1988 1st Quarter	12.74 (8)	12.94 (5)	12.70 (2)
2nd Quarter	12.70 (7)	12.48 (4)	12.00 (1)
3rd Quarter	12.68 (8)	12.79 (9)	13.37 (3)
4th Quarter	12.98 (10)	12.98 (13)	13.30 (7)
1988 Full Year	12.79 (33)	12.85 (31)	13.13 (13)
1989 1st Quarter	13.04 (9)	12.99 (4)	12.95 (3)
2nd Quarter	13.22 (7)	13.25 (2)	12.79 (3)
3rd Quarter	12.38 (2)	12.56 (7)	13.75 (2)
4th Quarter	12.84 (9)	12.94 (18)	12.83 (7)
1989 Full Year	12.97 (27)	12.88 (31)	12.97 (15)
1990 1st Quarter	12.67 (11)	12.60 (4)	12.87 (6)
2nd Quarter	12.85 (12)	12.81 (7)	--- (0)
3rd Quarter	12.54 (7)	12.34 (6)	13.38 (2)
4th Quarter	12.69 (14)	12.77 (14)	12.20 (1)
1990 Full Year	12.70 (44)	12.67 (31)	12.91 (9)